

Senator  
**MARK SCHOESLER**

Representative  
**JOE SCHMICK**

Representative  
**SUSAN FAGAN**

## • 9th District • 2010 Session Review

Serving Adams, Asotin, Garfield and Whitman counties, and north Franklin and south Spokane counties

April 2010

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Dear Friends,

Each legislative session is historic in one way or another. However, the 2010 session will go down in history for more reasons than usual – and not the reasons we would like.

The Legislature should have wrapped up its work March 11. It didn't, so the governor called a "special" session that lasted the full 30 days allowed under our state constitution, with each extra day of voting costing around \$14,000.

When it was all over April 13, the legislative majority had responded to a mostly self-inflicted budget shortfall with the largest tax increase in state history for government operations. It also guaranteed another budget shortfall by adopting an operating budget that keeps spending at an unsustainable level.

We don't see how raising taxes will encourage consumers to spend and employers to hire; it's our belief these tax increases will instead act as a drag on Washington's economy and delay its recovery.

What's needed now is a change of attitude in Olympia so that the next Legislature does what we were prepared to do this year: set priorities to make sure limited tax dollars are put to their best use; and pursue reforms to allow state government to continue delivering critical services and programs at less cost. Otherwise there is every reason to believe next year's budget shortfall will result in more tax hikes.

While the tax and spending questions overshadowed all else at the Capitol this year, a number of positive changes were proposed in other areas, and some became law. Please keep reading for details.

If you have questions or other concerns to share with us, please call, send an e-mail or write a letter. Contact information and our legislative Web site addresses appear in the shaded area to the left of this page. We are always glad to hear from you, and welcome your comments and ideas.

Sincerely,

  
Mark Schoesler  
State Senator

  
Susan Fagan  
State Representative

  
Joe Schmick  
State Representative

## Spending on state operations remains unsustainable

The state revenue forecast released during the regular session increased the budget gap to \$2.8 billion, or \$200 million more than when the session began.

While many in Olympia say the budget gap resulted from the national economic downturn, it really should be viewed as the cost of inaction. The two-year budget adopted a year ago was clearly “underwater” by July. Stronger action to reduce spending during the second half of 2009 could have closed the gap at least partially before lawmakers convened in January.



The Legislature also should have acted responsibly once the 2010 session began, by reducing spending to match the level of revenue available over the next 15 months. Instead the majority party increased revenue through tax hikes.

Some will claim the Legislature cut state spending this year. It did, by \$755 million, but then added \$401 million in new spending for a net reduction of \$354 million and budgeted another \$630 million in federal money that may or may not materialize.

The federal money, if it arrives, is temporary; once it's gone, the Legislature will be back in the same boat: too many spending commitments and not enough revenue to cover them.

Three other things about this new \$31.3 billion (general fund) operating budget concern us:

- Costs that weren't covered this year – like the education initiatives, and state employee pensions – are pushed into the future, to the tune of almost \$1.8 billion;
- This Legislature obligated the next one to more than a billion dollars' worth of additional policy-related spending on things like state health-care costs, an area that is ripe for reform; and
- Supposedly “temporary” changes in law or policy will have costs returning to the budget. For example, diverting revenue from the Public Works Trust Fund will amount to a \$141 million hit should that money return to its traditional purpose of aiding local governments with infrastructure repairs and improvements.

These decisions represent more than \$4.7 billion in commitments and adjustments the next Legislature will have to confront, on top of the loss of federal funding.

## Pine Lodge to close

For nearly a year we challenged the proposed closure of the Pine Lodge Correctional Center for Women, but the majority party ultimately yanked funding for the Medical Lake facility – even though Pine Lodge was being operated more cost-effectively than its counterparts in the Department of Corrections system.

More than once during the session the governor attempted to portray facility closures as examples of reform; in our book, it isn't reform if closing Pine Lodge requires an expensive addition to a Western Washington women's prison that would cost more to operate.



*Rep. Schmick took a lead role in the Pine Lodge issue, organizing and moderating a town meeting in Medical Lake where he and fellow legislators heard from staff, private citizens and elected officials on the impact the facility's downsizing or closure would have on inmates, their families and the local economy.*



# 2010 Session Review

## The largest tax increase ever for government operations

The majority party started talking about tax increases before the session began. It was no surprise, then, when our colleagues across the aisle took advantage of their first opportunity to put aside the Taxpayer Protection Act. That's the law created by Initiative 960 to make raising taxes more difficult by requiring a two-thirds vote in the Legislature.



Tax proposals began emerging the same day that the bill dismantling the I-960 protection took effect. However, the Senate majority and House majority failed to agree on one package of tax hikes before the regular session ended March 11. That forced the costly extended legislative session.

The tax package adopted 29 days into the special session totals nearly \$2.5 billion over the next three years. It hits employers who provide services, from architects to hairstylists, hardest with a 20 percent hike in business taxes amounting to \$725 million over three years. Then there are the new or increased taxes on bottled water (\$100 million), carbonated beverages (\$100 million), candy and gum (\$94 million), beer (\$177 million) and tobacco (\$100 million). Nearly a dozen other tax hikes won't hit consumers as directly yet will pull millions out of the economy and hand it to state government.

Choosing not to increase the sales tax statewide might reduce backlash against majority lawmakers; however, the fact remains that consumers will pay more and employers will have less with which to hire or expand.

## No sign of significant reforms

The Legislature eliminated 46 boards and commissions this session. Add the 18 eliminated last session and a larger number eliminated by executive order and the total is around 130 (meaning about 340 are left).

There's nothing wrong with reducing the number of boards and commissions, but there is something wrong if that's the best the majority party can do to downsize government.

Eliminating those 130 boards and commissions saves an estimated \$3.3 million over five years – not chicken feed, but underwhelming compared to what could have been saved by the many reforms Republicans proposed, to no avail.

For instance, we suggested closing the state printing office – an agency made expendable by the ease of desktop publishing and access to private printers. That would have saved \$19 million and constituted real reform. The Senate majority's top budget writer agreed, yet the idea was dropped.

Coming into the session in January we hoped to see some much-needed reforms of government programs and spending. Unfortunately, once the majority began moving to suspend the Taxpayer Protection Act and make tax increases easier, all serious discussions about reform ended.

The need for reform remains. No matter how much Washington's economy improves, the decisions made this session have state government headed toward another multibillion-dollar hole. So the choice next year will be a repeat: raise taxes or lower the cost of government. We prefer the latter.



*As Senate Republican floor leader, Sen. Schoesler is in charge of coordinating debate on bills with other members of his caucus. This was his 18th session as a lawmaker from the 9th District and sixth session as its senator, following 12 years as state representative.*

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## No serious effort made to create jobs

On top of the increase in business and occupation taxes, Washington employers will be hit with higher payments to the state-run unemployment insurance and workers' compensation system (which provides industrial insurance).

The majority party claimed there was not enough time to consider reforms our side proposed concerning the workers' comp system, yet it was perfectly willing to spend extra weeks debating who would pay more taxes and how much.

The majority approved a referendum for November's ballot (**House Bill 2561**) that would authorize selling bonds to fund energy-related upgrades at schools. It will be promoted as a jobs bill, but we question whether the number and short-term duration of the jobs justifies the huge long-term debt.

## New taxes would have been terrible news for agriculture

Since 1943 the state has exempted from the sales tax all fertilizers, spray materials (including crop protection products) and chemical sprays used in the commercial production of any agricultural commodity. The initial set of tax bills from the Senate majority proposed ending that exemption; fortunately the idea was dropped, but it could easily be back in 2011.

The Washington Potato Commission, which represents the state's third largest commodity, determined this repeal would have added \$90 per acre to the cost of production. For instance, every circle would cost over \$10,000 more to get to market.

As if that wasn't enough, the majority party also flirted with raising the state's hazardous-substances tax, which means the agriculture industry would pay more for fuel, fertilizer and crop protection products. The voters approved that tax in 1988, with the revenue going into the Model Toxics Control Account to pay for pollution cleanup; however, money from that account has been routinely "swept" into the general fund. Another \$118 million in the state and local toxics control accounts is being diverted in 2010 and 2011 alone.

It's outrageous that our farmers, growers and ranchers were threatened with paying more because majority budget-writers can't leave the pollution-control money where it belongs.



News on the ag-policy front was more positive. The Legislature passed **Senate Bill 6299** to tighten restrictions on bringing livestock into Washington. Introduced by Sen. Schoesler, the new law continues efforts he and others on the Senate agriculture committee are making to protect the beef industry and consumers from diseased animals.

Also adopted was **Senate Bill 6267**, which is supposed to expedite processing of water rights applications. People should expect their applications for water to be processed in a timely manner, but unfortunately some have been waiting decades for an answer from the Department of Ecology.

The House passed a bill introduced by Rep. Fagan concerning the bonding of grain warehouses, and **House Bill 2556** received approval from the Senate agriculture committee. It did not, however, come to a full Senate vote.

Also falling short was **Senate Bill 6803**, which began as a limit on all stock watering but ended up affecting only the dairy industry. However, its failure is actually a win for agriculture in general, because it means we should see the outcome of the stock watering lawsuit before any legislative action on the matter.

## Fagan irrigation district bill signed into law

Legislation sponsored by Rep. Fagan to make technical changes in the administration of irrigation districts was signed by the governor March 24.

Irrigation districts play a key role in maintaining Washington's economy by developing and operating the systems that deliver water to more than 1.2 million acres of farm and ranch land.

**House Bill 3030** provides additional tools to help the districts operate effectively and efficiently.

The new law updates the small works roster limit from \$100,000 to \$300,000, providing the same guidelines as those used by most other state agencies and entities. It also allows an irrigation entity, such as the Grand Coulee Project Hydroelectric Authority and others, to save for future anticipated expenses. By setting funds aside now, they will be in a better position to meet anticipated expenses for federal relicensing, and to repair or replace equipment as it wears out without taking such a big hit at one time.



# 2010 Session Review



*Rep. Fagan's irrigation district bill was signed into law March 24th. She was joined at the signing ceremony by Mike Schwisow, representing the Washington State Water Resources Association, and who serves as director of government relations for the Columbia Basin Development League.*

## K-12 discussions produce mixed results

As expected, funding was at the center of debates about K-12 (basic) education.



**Levy equalization:** We are concerned about the majority-party response to the question of levy equalization, which provides state money for districts that have lower property values and otherwise would need a very high local tax levy to generate the same revenue as a district with high property values.

The Legislature's answer was to pass **House Bill 2893**, which authorizes an increase in the amount of a school budget that can be financed with local levy dollars. To assist districts with lower property values in raising those funds, the Legislature increased state levy equalization support from 12 percent to 14 percent. This costs an additional \$26 million in the proposed 2010 supplemental budget, but the amount quadruples in the next biennium.

A better answer would have been **Senate Bill 6858**. It would have simultaneously reduced all school districts' local levy authority by 12 percent and increased the state property tax levy accordingly. Sen. Schoesler co-sponsored this bill, which would have significantly increased state K-12 education funding while taking pressure off local school districts. This legislation also would have responded to February's King County court ruling that the state is not providing ample funding for basic education. However, it did not advance beyond a Senate committee vote.

**Funding distribution:** Lawmakers passed **House Bill 2776**, regarding state funding of school district transporta-

tion, maintenance/operations, K-3 class sizes, and all-day kindergarten. Its policies will be phased in largely over the next 5-7 years, and they'll be expensive: an estimated \$765 million in 2011-13 and \$1.85 billion in 2013-15, and a similarly rapid rise after that. The trouble is, these spending commitments were made without a plan to pay for them.

**Race to the Top:** Right as the regular session ended the Legislature passed **Senate Bill 6696**, which attempts to help Washington compete for the federal "Race to the Top" funds for basic education.

The bill's provisions include an accountability system that recognizes successful schools; requiring school districts with persistently low-achieving schools to take action; and a new teacher and principal rating system. It does not specifically mention charter schools, which will be a factor when the federal government decides which states receive funding.

## No change in college tuition-setting authority

In 2007 the Legislature passed Sen. Schoesler's bill to cap annual tuition increases at 7 percent until 2017. Last year the majority party threw that cap out, replacing it with tuition hikes of 14 percent in 2009, 2010 and 2011.

This year the Legislature was asked to let Washington State University, the University of Washington and Western Washington University adjust tuition as needed to balance their budgets. It would have meant handing tuition-setting authority to officials who aren't directly accountable to the public.



The bill to make that change (**Senate Bill 6562**) also would have contained caps and formulas figuring tuition waivers according to family income. Whether it would have given middle-class students some relief on tuition costs, as claimed, we won't know; the bill passed the Senate but stalled in the House.



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## Be counted!

The U.S. Census is required by the Constitution to take place every 10 years. Census forms (which are shorter and less intrusive than before) were delivered in March; areas not served by the U.S. Postal Service will receive their forms before April 30.

Participating in the census does more than fulfill a constitutional priority. The information gathered affects the distribution of federal funds to various communities for things like hospitals, schools, public works projects and emergency services. It also affects the number and distribution of congressional seats, and we'd like to keep the Eastern Washington congressional seats in Eastern Washington (and just maybe our state can pick up a 10th seat in Congress).

Any personal data you provide is protected under federal law. We hope you will complete your Census form and mail it back (in the postage-paid envelope supplied) when you receive it. Visit [www.census.gov](http://www.census.gov) for more information.



## Your 9th District Legislators

### **Senator MARK SCHOESLER** ***Senate Republican Floor Leader***

**Committees:**

- Agriculture & Rural Economic Development, *ranking Republican*
- Financial Institutions, Housing & Insurance
- Rules
- Ways and Means

### **Representative JOE SCHMICK** ***Assistant Republican Whip***

**Committees:**

- Health & Human Services Appropriations, *ranking Republican*
- Higher Education, *assistant ranking Republican*
- Rules
- Ways & Means

### **Representative SUSAN FAGAN**

**Committees:**

- Education
- Local Government & Housing
- Health & Human Services Appropriations
- Audit Review & Oversight



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**State Representatives**  
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